Supreme Court, U.S.
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No. 96-1942

In The

Supreme Court of the United States

October Term, 1996

CMI, INC.,

Petitioner,

vs.

INTOXIMETERS, INC., MACQUORN FORRESTER, GLENN FORRESTER, RANKINE FORRESTER, NATIONAL PATENT ANALYTICAL SYSTEMS, INC. and JOHN D. FUSCO,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION FOR RESPONDENTS NATIONAL PATENT ANALYTICAL SYSTEMS, INC. AND JOHN D. FUSCO

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QUESTIONS PRESENTED

1. Whether the Petition for Writ of Certiorari should be denied because there is no applicable conflict among the Circuit Courts of Appeal regarding the interpretation of the "bright-line rule" set forth in *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 108 S. Ct. 1717, 100 L. Ed. 2d 178 (1988).

2. Whether the Petition for Writ of Certiorari should be dismissed because the United States Court of Appeals for the Federal Circuit followed proper appellate procedure as set forth in the Federal Rules of Appellate Procedure and its own local rules of appellate procedure.

RULE 29.6 LISTING

National Patent Analytical Systems, Inc. is the full name of the corporate respondent. There are no parent companies, subsidiaries, or affiliates of National Patent Analytical Systems, Inc.

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The Respondents, National Patent Analytical Systems, Inc. and John D. Fusco (collectively referred to hereinafter as "National Patent"), by counsel, respectfully oppose the Petition of CMI, Inc. ("CMI") for Writ of Certiorari to review the judgment and orders of the United States Court of Appeals for the Federal Circuit in this case, which are unreported, but referenced in the Petition at Appendix F and Appendix G.

STATEMENT OF THE CASE

A. Procedural History — District Court

On April 22, 1993, CMI filed suit against Intoximeters, Inc., Macquorn Forrester, Glenn Forrester and Rankine Forrester (collectively referred to hereinafter as "Intoximeters"). The Complaint contained several tort counts, together with one count seeking a declaration that Intoximeters' patent was invalid and that CMI's instrument did not infringe the patent. On August 17, 1993, CMI filed an Amended Complaint adding National Patent Analytical Systems, Inc. and John Fusco as defendants to the tort counts.

On September 14, 1993, the district court bifurcated the tort issues from the patent issues in the case. The district court set the patent issues for trial and stayed proceedings as to the tort claims. On July 15, 1994, a jury rendered a verdict in favor of Intoximeters on all issues of invalidity except inequitable conduct (which was retained for determination by the district court). On November 1, 1994, the district court granted CMI's motion for summary judgment as to the issue of infringement and entered an order upholding the validity of the patent in conformity with the jury verdict. (Petition at App. A.) The district court also ruled against CMI on its claim of inequitable conduct. (*Id.*) It reserved for later determination the issues of patent

misuse and CMI's claim for attorney's fees. (*Id.*) This order specifically stated that due to the bifurcation of the patent issues and the tort issues in this case, the order was not final and appealable. (Petition at App. A.)

On March 1, 1995, CMI filed its Second Amended Complaint which added additional factual allegations to the tort claims. In October 1995, National Patent and Intoximeters filed Motions for Summary Judgment and supporting memoranda seeking judgment on all of the tort counts. On November 16, 1995, the district court issued an order granting the summary judgment motions, thereby disposing of CMI's tort claims against all Respondents herein. (Petition at App. B.) The district court also found for Intoximeters on CMI's claim of patent misuse. (*Id.*)

The November 16, 1995 Order disposed of all of the issues in the case, except for CMI's claim that exceptional circumstances existed and that it was entitled to attorney's fees under 35 U.S.C. § 285. (*Id.*) CMI did not file a motion pursuant to Federal Rule of Civil Procedure 59 in response to this Order. Further, the district court did not stay the finality of this order or indicate that the order was not final and appealable, like it did in the November 1, 1994 Order. Further, it did not order that the attorney's fees issue be treated as a timely motion under Rule 59, as Federal Rule of Civil Procedure 58 permits.

On April 1, 1996, the district court entered an order denying CMI's request for attorney's fees. (Petition at App. D.) On or about April 5, 1996, CMI filed its Motion to Render Decisions Final and Appealable. This motion did not seek relief from the April 1, 1996 Order. Rather, CMI requested that the district court enter CMI's proposed amended order. On April 15, 1996, the district court signed CMI's proposed order which was virtually identical to the April 1, 1996 Order, except for the addition of a

superfluous paragraph, which simply recited that certain *prior* decisions in this action were final and appealable. (Petition at App. E.) This Order was entered on April 16, 1996.

On May 7, 1996, CMI filed its Notice of Appeal.

B. Procedural History — Federal Circuit Court

Following CMI's Notice of Appeal, Intoximeters filed a Motion to Dismiss Appeal of CMI as Untimely. On August 20, 1996, the Federal Circuit dismissed CMI's appeal as untimely with respect to both the November 16, 1995 and the April 1, 1996 orders. In support of its decision, the circuit court held that the November 16, 1995 Order was final and appealable on the merits pursuant to Federal Rule of Civil Procedure 58 and *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 108 S. Ct. 1717, 100 L. Ed. 2d 178 (1988) and that the April 16, 1996 Order did not significantly change the April 1, 1996 Order in order to enlarge the time in which to file a notice of appeal. (Petition at App. F.)

CMI filed a motion under Federal Rule of Civil Procedure 60 with the district court, which was denied on October 18, 1996. (Petition at App. G, n.1.) CMI subsequently requested that the Federal Circuit reconsider its dismissal. Reconsideration was denied. (Petition at App. G.) Thereafter, CMI petitioned this Court for a Writ of Certiorari. National Patent opposes CMI's Petition for the reasons cited below.

REASONS FOR DENYING THE WRIT

I.

THE FEDERAL CIRCUIT COURT CORRECTLY RELIED UPON *BUDINICH V. BECTON DICKINSON & CO.* AND FEDERAL RULE OF CIVIL PROCEDURE 58 IN DETERMINING THAT CMI DID NOT FILE A TIMELY APPEAL.

A. An Unresolved Issue of Attorney's Fees Does Not Prevent Judgment on the Merits from Being Final.

In *Budinich v. Becton Dickinson & Co.*, this Court addressed whether a decision on the merits is a "final decision" as a matter of federal law under 28 U.S.C. § 1291 when the recoverability or amount of attorney's fees for the litigation remains to be determined. 486 U.S. 196, 108 S. Ct. 1717, 100 L. Ed. 2d 178 (1988). The Court noted that an issue remaining "to be decided after an order ending litigation on the merits does not prevent finality if its resolution will not alter the order or moot or revise decisions embodied in the order." 486 U.S. at 199, 108 S. Ct. at 1720, 100 L. Ed. 2d at 183. Thus, the Court established the bright-line rule that "an unresolved issue of attorney's fees for the litigation in question does not prevent judgment on the merits from being final." 486 U.S. at 202, 108 S. Ct. at 1722, 100 L. Ed. 2d at 185. Similarly, Federal Rule of Civil Procedure 58 provides in part, "Entry of the judgment shall not be delayed, nor the time for appeal extended, in order to tax costs or award fees. . . ."

It is undisputed that the order issued on November 16, 1995 by the district court disposed of all of the issues in this case, except for CMI's claim for attorney's fees under 35 U.S.C. § 285. Pursuant to the above authorities, such order was final

and appealable on November 16, despite the unresolved issue of attorney's fees. CMI did not file a motion with respect to such order within ten days from the entry of that order. Accordingly, the time to appeal the merits of the case expired on December 16, 1995, nearly five months before CMI filed its notice appealing the district court's orders.

CMI has argued that its statutory claim for attorney's fees under 35 U.S.C. § 285 was a substantive part of the merits of its action, and accordingly, qualifies as an exception to *Budinich*. (Petition at 8-13.) However, CMI's argument is unfounded. There is no basis to distinguish between CMI's claim for statutory attorney's fees under 35 U.S.C. § 285 and the claim for statutory fees which was the subject of the *Budinich* decision. In both cases the claim for attorney's fees was collateral to the merits of the case.

B. There Is No Conflict Among the Circuits Regarding *Budinich*'s Bright-Line Rule and Exceptions Thereto.

CMI has cited several cases to suggest that a conflict exists among the circuit courts of appeal regarding *Budinich's* bright-line rule and exceptions thereto. Such an argument might be meritorious if the such exceptions applied in this case. However, even if these cases created a conflict, such conflict is not applicable to CMI's claim.

For instance, the Fifth Circuit in *Noble Drilling, Inc. v. Davis*, 64 F.3d 191 (5th Cir. 1995) and *Deus v. Allstate Ins. Co.*, 15 F.3d 506 (5th Cir.), *cert. denied*, 513 U.S. 1014, 115 S. Ct. 573, 130 L. Ed. 2d 490 (1994), considered independent claims for attorney's fees that had been asserted by plaintiff's former attorneys who had intervened to collect fees earned in the course of their representations of the plaintiff in the lawsuit. In these instances, the Fifth Circuit found that an intervening attorney's

claim for fees under his contract with the plaintiff is not collateral to the case, and until the question is resolved, there can be no final judgment. However, this narrow exception has no relevance to CMI's statutory claim for attorney's fees under 35 U.S.C. § 285. No former attorneys for CMI have intervened for payment of fees they earned during representation. Thus, such exception even if recognized by this Court, would not render the November 16, 1995 Order final in order to save CMI's appeal.

Similarly, *Vargas v. Hudson County Board of Elections*, 949 F.2d 665 (3rd Cir. 1991), is also inapplicable to CMI's claim. In *Vargas*, a class of plaintiffs sued the Board of Elections and various individuals, alleging a conspiracy to prevent the plaintiffs from voting. The defendants filed a third-party action against their insurance carrier, who refused to defend them. The third-party claim was bifurcated from the class action, and the court found that coverage existed. Additionally, the trial court found that the insurer was obligated to indemnify the defendants for the attorney's fees award it had entered in favor of the plaintiffs. The Third Circuit found that the judgment was not final until the district court determined the amount of attorney's fees and stated:

> It is critical to recognize that the relevant claim for fees here was not that made by the McCann defendants pursuant to state statute to recover for representation in this case against National Union. **That clearly is a *Budinich* claim.** Here, the fees were incurred by the class plaintiffs in bringing their claims for civil rights violations.
>
> . . . .

> It is sufficient for present purposes, however, to point out that the McCann defendants' claim here is not for their own attorneys' fees, but for those of the class counsel. . . . The McCann defendants sought recovery of the class plaintiffs' fees as an element of damages against National Union **and not as a prevailing party in the litigation.**

Id. at 669-670 (emphasis in original). Accordingly, the *Vargas* court did not consider a situation such as the one present in CMI's claim in which a party is seeking to recover its own fees. Accordingly, any narrow exception recognized by the Third Circuit does not apply to CMI's claim.

Likewise, CMI's argument that the Fifth Circuit has recognized an other exception applicable to this case is unfounded. *Harbor Ins. Co. v. Trammel Crow Co., Inc.* discussed the 1993 amendment to Federal Rule of Civil Procedure 58. 854 F.2d 94 (5th Cir. 1988), *cert. denied,* 489 U.S. 1054, 109 S. Ct. 1315, 103 L. Ed. 2d 584 (1989). In that case, the Fifth Circuit held that a district court has the authority to expressly state that an order on the merits is interlocutory and, accordingly, retain control over the order until it decides the attorney's fees issue. Any exception this may create to the *Budinich* rule is inapplicable in this case. Here, the district court did not declare that its November 16, 1995 Order was interlocutory. The terms of the order did not indicate that the district court sought to retain control over the decision on the tort issues until it decided the attorney's fees issue. The order was final as to the merits of CMI's claims and reserved only the attorney's fees issue for subsequent consideration. Contrary to CMI's contentions, nothing in that order negated its finality under *Budinich* and Federal Rule of Civil Procedure 58.

Lastly, any exception that may be recognized by the Eighth Circuit has no bearing on CMI's claims. In *Justine Realty Co. v. American Nat'l Can Co.*, the Eighth Circuit recognized a narrow exception to *Budinich* for pre-litigation attorney's fees which were incurred while enforcing a settlement agreement that contained a clause regarding attorney's fees. 945 F.2d 1044 (8th Cir. 1991), (characterizing such fees as "substantively a part of plaintiff's compensation" and involving merits of the claim). The Eighth Circuit distinguished pre-litigation fees from fees incurred for the litigation. The latter type of attorney's fees clearly are governed by *Budinich*.

Furthermore, even if the exception were recognized, it does not apply in this case. Even if the exception "permitted CMI to delay its appeal until the issuance of the district court's final order concerning attorney's fees, CMI did not file a timely appeal from that order [entered April 1, 1996]." (Petition at App. F.)

Even if this Court perceives the holdings in the above cases as creating a conflict among the circuits, any such conflict has no application to CMI's claim for statutory attorney's fees in this case. To the contrary, CMI's claim for statutory attorney's fees and the district court's order resolving all other issues on November 16, 1995 fall squarely within the holding presented in *Budinich*. Accordingly, CMI's Petition for Writ of Certiorari should be denied.

II.

THE FEDERAL CIRCUIT COURT MADE NO SUBSTANTIAL DEPARTURE FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS IN DETERMINING THAT CMI'S APPEAL WAS UNTIMELY.

A. An Immaterial Revision of a Judgment Fails to Toll the Time Within Which Review Must Be Sought.

"Under Fed. Rule App. Proc. 4(a) and 28 U.S.C. § 2107, a notice of appeal in a civil case must be filed within 30 days of entry of the judgment or order from which the appeal is taken. This 30-day time limit is 'mandatory and jurisdictional.' " *Browder v. Director, Dept. of Corrections of Illinois*, 434 U.S. 257, 264, 98 S. Ct. 556, 561, 54 L. Ed. 2d 521 (1978). CMI's notice of appeal was not timely with respect to the final judgment on the merits of the case or with respect to the order denying CMI's request for attorney's fees.

The April 1, 1996 Order denying CMI's claim for attorney's fees specifically stated that is was a final and appealable order. (Petition at App. D.) Despite such language, CMI requested that the district court enter a second order, which contained the language of the April 1, 1996 Order, but also included the following paragraph:

> IT IS HEREBY FURTHER ORDERED that the Memorandum Opinion and Order and Judgment entered by this Court on November 1, 1994 and the Memorandum Opinion and Order entered by this Court on November 16, 1995, are expressly incorporated herein by reference, and are hereby rendered to be final and appealable.

(Petition at App. E.) The trial judge signed the order on April 15, 1996 and it was entered on April 16, 1996. CMI filed its notice of appeal on May 7, 1996. (Petition at App. F.)

The November 16, 1995 Order disposed of all issues in the case, except for CMI's claim for statutory attorney's fees. The order did not state that it was interlocutory or indicate that the district court sought to retain control over the order. Thus, according to the prevailing law, *Budinich v. Becton Dickinson & Co.*, the order was final and appealable on such date. Despite CMI's attempts, the April 16, 1996 Order did not alter the finality of the November 16, 1995 Order.

Even if this Court considers the November 16, 1995 Order to be interlocutory, CMI's appeal is still untimely. The April 1, 1996 Order would have the effect of making all previous interlocutory orders final and appealable. The April 16, 1996 Order did not alter CMI's legal rights or obligations under the previous orders. Rather, the order merely reiterated the final and appealable nature of the previous orders. Such an immaterial change fails to enlarge the time for filing an appeal. *See Federal Trade Comm'n v. Minneapolis-Honeywell Regulator Co.*, 344 U.S 206, 212, 73 S. Ct. 245, 249, 97 L. Ed. 245, 252 (1952); *Maxus Energy Corp. and Subsidiaries v. United States*, 31 F.3d 1135, 1139-40 (Fed. Cir. 1994) (holding that joint motion to amend filed within 10 days from entry of judgment sought changes in substantive rights of parties and, thus, would be considered as timely motion to alter or amend judgment); *United States v. Bealey*, 978 F.2d 696, 699 (Fed. Cir. 1992) (holding that immaterial change in name of party on order did not alter defendant's legal rights or obligations under previous judgments so as to enlarge time for filing notice of appeal).

> [T]he mere fact that a judgment previously entered has been reentered or revised in an

> immaterial way does not toll the time within which review must be sought. Only when the lower court changes matters of substance, or resolves a genuine ambiguity, in a judgment previously rendered should the period within which an appeal must be taken or a petition for certiorari filed begin to run anew. **The test is a practical one. The question is whether the lower court, in its second order, has disturbed or revised legal rights and obligations which, by its prior judgment, had been plainly and properly settled with finality.**

FTC v. Minneapolis-Honeywell, 344 U.S. at 211-12, 73 S. Ct. at 248-49, 97 L. Ed. at 252 (emphasis added) (holding that petition for writ of certiorari was untimely when second judgment merely reiterated everything that had been decided in previous judgment; controversy was adjudicated in previous judgment; nothing remained to be adjudicated by second judgment).

The April 16, 1996 Order did not materially change the April 1, 1996 Order. The April 1, 1996 Order expressly stated that it was final and appealable. As a matter of law, it rendered all prior interlocutory decisions, if such existed in this case, appealable as of April 1, 1996. No ambiguity existed to be clarified. Further, the second order did not revise the legal rights or obligations that were plainly established and settled in its first order. Thus, the April 16, 1996 Order fails to meet the well-established test espoused by *Federal Trade Comm'n v. Minneapolis-Honeywell Regulator Co.*, 344 U.S. 206, 73 S. Ct. 245, 97 L. Ed. 245. Therefore, the Federal Circuit Court properly ruled that CMI's May 7, 1996 appeal was untimely. Consequently, CMI's Petition for Writ of Certiorari must be denied.

B. There is No Compelling Reason for the Supreme Court to Grant CMI's Petition for Writ of Certiorari.

Despite CMI's contention to the contrary, the Federal Circuit did not ignore the district court's April 16, 1996 Order. (Petition at 17.) Rather, the Federal Circuit considered it under the prevailing law. Because the second order did not meet the *FTC v. Minneapolis-Honeywell Regulator Co.* test, it did not change the fact that the November 15, 1995 Order and the April 1, 1996 Order triggered the time for appeal.

Additionally, the Federal Circuit did not effectively rule that all issues became final and appealable on April 16, 1996 by entering its order on June 25, 1996 (Petition at App. K), which granted CMI's Motion to Revise the Official Caption. As the Federal Court noted, "this court did not address the jurisdictional issue in the order granting CMI['s] motion to reform the caption." (Petition at App. F, n.1.) The jurisdictional issue obviously was not before the circuit court at such time. Thus, CMI's contention to the contrary is meritless.

Furthermore, CMI's actions did not warrant "excusable neglect" to extend the time for filing a notice of appeal. CMI did not act to postpone the deadline for filing its appeal and received no assurances from the district court that the deadline had been extended. Rather, the April 1, 1996 Order was "final and appealable." (Petition at App. D.) Moreover, the circuit court is prohibited from enlarging the time for filing an appeal under Federal Rule of Appellate Procedure 26(b). CMI did not request that the district court extend the time for filing its appeal. *See* Fed. R. App. Pro. 4(a)(5). Thus, the time was not extended.

The Federal Circuit did not deviate from the accepted and usual course of judicial proceedings. It merely applied the applicable law to the facts of this case. Accordingly, there is no

compelling reason for this Court to exercise its supervisory power.

CMI was not denied its day in court. (*See* Petition at 24.) It had its opportunity on the merits before the district court. It could have been heard in the Federal Circuit Court on the merits of its appeal if it had filed its notice of appeal in a timely fashion and in accordance with the federal rules of procedure. It did not file a timely appeal and did not move for an enlargement of time in which to file a notice of appeal. Accordingly, it is CMI who deprived itself of its "day in court," not the Federal Circuit Court.

CONCLUSION

The November 16, 1996 Order disposed of all of the issues in CMI's case against the Respondents, except for its claim for statutory attorney's fees, pursuant to 35 U.S.C. § 285. Thus, according to the prevailing law, such order was final and appealable on the merits as of such date. Such order triggered the date for appeal. CMI's May 7, 1996 appeal was untimely as to such issues.

Further, the April 1, 1996 order deciding the attorney's fees issue expressly rendered such issue final and appealable on that date. The subsequent attempt to extend the triggering date for appeal in the April 16, 1996 Order was unsuccessful. It did not revise or alter the legal rights of the parties or clarify any ambiguity in the April 1, 1996 Order. Further, it did not substantively change the effects of the previous orders. Accordingly, the Federal Circuit properly dismissed CMI's appeal as untimely. Therefore, National Patent respectfully requests that this Court deny CMI's Petition for Writ of Certiorari.

Respectfully submitted,

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